

**MINUTES
of the
SECOND MEETING
of the
LOS ALAMOS NATIONAL LABORATORY OVERSIGHT COMMITTEE**

**July 20, 2005
Room 311, State Capitol**

The second meeting of the Los Alamos National Laboratory (LANL) Oversight Committee for the 2005 interim was called to order by Senator Phil A. Griego, co-chair, on July 20 at 9:40 a.m. in Room 311 of the State Capitol.

Present

Rep. Roberto "Bobby" J. Gonzales, Co-Chair
Sen. Phil A. Griego, Co-Chair
Rep. Thomas A. Anderson
Sen. John T.L. Grubestic
Rep. Debbie A. Rodella
Rep. Nick L. Salazar

Absent

Sen. Richard C. Martinez
Sen. William H. Payne
Rep. Jane E. Powdrell-Culbert
Sen. William E. Sharer

Advisory Members

Rep. Ben Lujan
Rep. Jeannette O. Wallace

Sen. Ben D. Altamirano
Sen. Mary Jane M. Garcia
Sen. Stuart Ingle

Staff

Cleo Griffith
Tim Crawford
Ramona Schmidt

Senator Griego welcomed everyone to the LANL Oversight Committee meeting. He noted that there are members of the committee who will need to leave the meeting no later than 3:00 p.m. to travel to the southern part of the state for other committee meetings. He said he hoped this meeting could adjourn before 3:00 p.m. and urged committee members to keep their questions and comments on point.

Los Alamos National Laboratory Report

Dr. Robert Kuckuck, the director of LANL, was introduced and described his background and experience. He said he was asked to come out of retirement to take over LANL in this transition period. He said he will remain in the position only until the new contractor takes over operation of the laboratory on June 1, 2006. He noted that regardless of which bidder is awarded the contract, he will not continue as director.

Dr. Kuckuck stated he has three goals as director. The first is to change the external perception of the laboratory; the second is to change the internal working environment; and the third is to minimize the uncertainty that employees experience. He noted that there will be a six-month period between the awarding of the new contract in December and the takeover of the lab

by the new contractor at the end of May and that his primary job will be to prepare the lab for this transition. He said his most important priorities are the people at the lab and said he has committed to working on two employee quality-of-life issues: alternative work schedules and child care.

Dr. Kuckuck stood for questions from the committee. Senator Griego noted that this oversight committee was created around employee concerns and that the committee continues to emphasize the importance of the laboratory becoming more community-minded and more a part of the community. Representative Salazar asked when the University of California-San Diego engineering program opened. Dr. Kuckuck noted it opened at the end of May and that courses will be offered. Representative Salazar questioned whether the laboratory would expand technology transfer under the new contract. Dr. Kuckuck stated that he sees no constraints in the new contract that would inhibit technology transfer. He said he thinks it is possible there could be expansion in science beyond nuclear weapons. Representative Salazar asked if Dr. Kuckuck thinks the laboratory would expand. Dr. Kuckuck said he thinks budget constraints make that unlikely, but events could change that. He noted that the laboratory has been a major source of technology for homeland security.

Representative Salazar noted that the contract will cost more and asked if this would affect employment at the laboratory. Dr. Kuckuck said it depends on how the contractor addresses this and if it feels it is necessary to cut expenses.

In response to questions from Representative Rodella, Dr. Kuckuck said he is confident that there will be progress on alternative work schedules for employees and on daycare. He said he would like to get these set up before the transition period is over, so they can be carried on under the new contractor.

Representative Rodella said she shared Representative Salazar's concern that there may be cuts in employment levels since the Department of Energy has said there will not be an increase in the lab appropriation. Dr. Kuckuck said he hopes retirements and other cost savings would help avoid any layoffs.

Representative Wallace agreed that there is concern about possible employment cuts since the contract will cost more and there will be no increase in the appropriation for the laboratory. She said there are other concerns associated with the new contract, such as health care coverage for the retirees and the continuation of cooperation on community issues.

In response to questions as to how these concerns can best be expressed to the Department of Energy and the contract bidders, Dr. Kuckuck said he could not address the issue of communication with the Department of Energy, but he suggested that once the new contractor is announced, this committee could raise these concerns directly with the contractor.

Representative Anderson asked Dr. Kuckuck what New Mexico could do to support the lab. Dr. Kuckuck stated that his observation during the two months he has been here is that the state and the community do a great job of supporting the lab. He thinks the problems lie in what the lab is not doing for the community. He said he was surprised when he arrived to find such

large differences between lab interests and community interests.

Representative Salazar asked if the apparently greater number of retirements of support staff than of scientists will lead to an imbalance in staff. Dr. Kuckuck said that support ratios are difficult to quantify, but he thinks that the retirement ratios are balanced so far.

Representative Anderson asked what the state could do to make New Mexico the best location for the laboratory. Dr. Kuckuck said he did not have any specific suggestions at this time and repeated that he thinks the state and community are doing well in this area. He said he thinks the important thing is the understanding that "we are in this together" and to focus on an attitude of partnership. He said the laboratory will not be able to attract and retain the best scientists unless this is a place they want to come to.

Representative Lujan asked how much money is available for environmental cleanup and who selects the contractor. Dr. Kuckuck said he does not know the specifics of this but would provide the committee with information. After some further discussion about environmental issues, Dr. Kuckuck said the new contractor will have to honor existing contracts and federal orders.

Senator Griego asked about statistical data on employment that the committee had requested in the previous interim. Bill Heimbach, state liaison for the laboratory, said the information was provided to the past committee staffer, Jonelle Maison. Senator Griego and Representative Gonzales said they thought some questions had not been answered. Dr. Kuckuck said this information will be given to the committee.

Senator Griego said that, during the last interim, Representative Rodella requested some information on the Welsh Report and salary disparities and that this issue is still of concern to committee members. Senator Griego asked if this information could be shared. He said he would like to get these questions taken care of before the changeover to the new contract. Dr. Kuckuck said he would try to get the requested information to the committee.

Committee members thanked Dr. Kuckuck for attending the meeting and for his cooperation.

Committee Business

Cleo Griffith, committee staff, reported that the Legislative Council approved the committee's work plan and meeting schedule as submitted.

Representative Gonzales moved to approve the minutes of the June 10, 2005 meeting. Representative Rodella seconded the motion and it passed.

The committee recessed for lunch at 11:40 a.m and reconvened at 1:10 p.m.

Progress Report on New Management Contract

A progress report on the new management contract was given by Edwin L. Wilmot and Anthony Lovato of the National Nuclear Security Administration (NNSA). Mr. Wilmot said he

is the federal site manager for the Los Alamos site office and directs operation of the laboratory by the contractor. Mr. Lovato is the contracts specialist and does the majority of the day-to-day administration of the contract.

Mr. Wilmot noted that neither he nor Mr. Lovato will participate in the selection of the new contractor. He said he is an ex-officio member of the Source Evaluation Board, but will not participate in its decision on recommending a new contractor. The Source Evaluation Board will make a recommendation to the source selection official in Washington, D.C., who will make the decision on awarding the new contract. Once the new contractor has been selected, Mr. Wilmot and Mr. Lovato will negotiate the details of the contract and administer the contract.

Mr. Wilmot said that the deadline for bids was yesterday, July 19, and three proposals were received. He said he is not allowed to release the names of the bidders.

Representative Salazar expressed concern that the increased contract fee may result in employee layoffs. Mr. Wilmot said it is his opinion that there are efficiencies that can be achieved that can more than offset the increased contract fee. Representative Salazar asked how the contract fee of \$70 million to \$90 million was arrived at. Mr. Wilmot said that discussions were held with possible bidders about what amount would attract top quality competitors.

In response to questions, Mr. Wilmot and Mr. Lovato explained the system that has been established for evaluating the bids. Mr. Lovato said approximately 10 teams in various specialties have been set up to evaluate proposals in their areas of expertise. He said the scoring system for the bids is unchanged from the one proposed in the draft RFP.

In reply to a question as to whether any credit will be given for experience, Mr. Lovato said the scoring system is structured to avoid bias toward the incumbent or nonincumbent, but a small amount of points will be given for experience.

Mr. Wilmot talked of the opportunity the new contract presents for significant change at the laboratory with positive results.

Representative Salazar asked how the decision was made to change the employee benefit structure. Mr. Lovato said that some potential bidders expressed concern that they would be unable to take over a University of California pension obligation. Mr. Wilmot noted that the goal is that present employees will not be affected and their pension benefits will be substantially equivalent under the new contract. However, new employees will have a different system. In response to a specific question about retirement benefits, Mr. Wilmot said he could not discuss this now, but once the award announcement is made in December, he will be better able to address some of the committee's concerns.

Senator Griego noted the laboratory's work in developing new education programs and asked if the partnership developed with the state community colleges and universities will continue. Mr. Wilmot noted that the bidders are expected to include a "community commitment package" in their proposals. Mr. Lovato said the language in the RFP states that any community or educational commitment paid for by NNSA funds will be continued and the contractor is expected to enhance community programs and pay for this out of its fee. But the contractor is not required to continue the specific programs that the University of California paid for out of its fee.

Representative Lujan noted that the Taxation and Revenue Department requested that language about potential gross receipts tax liability under the new contract be included in the RFP and asked if this has been done. Mr. Wilmot said this issue was addressed in the RFP.

Representative Wallace stated that Los Alamos County is aware of the impact of the gross receipts tax change and is planning on working with surrounding communities on a plan to share the increased tax revenue.

In reply to a question as to whether the cost of paying gross receipts tax would force the contractor to lay off employees, Mr. Wilmot said he thinks it is possible to achieve \$100 million in savings through greater efficiencies, so the gross receipts tax liability should not create a problem.

In reply to questions about continuation of community programs, Mr. Wilmot said that the view is that the laboratory cannot survive without northern New Mexico nor can northern New Mexico survive without the laboratory. They understand the need for cooperation and healthy communities, and they think Dr. Kuckuck's actions on outreach have demonstrated that. They expect the new contractor to understand the need for the support of the nearby communities.

Representative Rodella asked about the recent communication concerning a cap on executive salaries. Mr. Lovato stated the Office of Federal Procurement Oversight has placed a cap on executive salaries that cannot be broken by the laboratory. This includes benefits and compensation and this information was shared with the bidders.

Senator Griego thanked Mr. Lovato and Mr. Wilmot for appearing before the committee and said it is the hope of the committee that the process goes as smoothly as possible.

There being no further business, the committee adjourned at 2:10 p.m.